

Ashoka Buildcon

Estimate change

TP change

Rating change



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Bloomberg	ASBL IN
Equity Shares (m)	281
M.Cap.(INRb)/(USD\$b)	17 / 0.2
52-Week Range (INR)	128 / 37
1, 6, 12 Rel. Per (%)	-8/-35/-52
12M Avg Val (INR M)	75

Financials & Valuations (INR b)

Y/E Mar	2020	2021E	2022E
Sales	39.4	35.5	44.3
EBITDA	5.9	4.3	5.3
PAT	3.9	2.6	3.1
EBITDA (%)	14.9	12.0	11.9
EPS (INR)	13.8	9.4	10.9
EPS Gr. (%)	20.2	(31.8)	16.1
BV/Sh. (INR)	92.6	100.8	110.6

Ratios

Net D/E	0.1	0.2	0.1
RoE (%)	16.1	9.7	10.3
RoCE (%)	14.0	9.6	10.1
Payout (%)	8.4	12.4	10.7

Valuations

P/E (x)	4.4	6.4	5.5
P/BV (x)	0.6	0.6	0.5
EV/EBITDA (x)	3.4	5.1	3.9
Div Yield (%)	1.7	1.7	1.7
FCF Yield (%)	39.6	9.5	10.0

Shareholding pattern (%)

As On	Jun-20	Mar-20	Jun-19
Promoter	54.5	54.3	54.3
DII	29.6	31.6	31.1
FII	3.7	5.5	4.3
Others	12.2	8.6	10.4

FII Includes depository receipts

CMP: INR61

TP: INR88 (+45%)

Buy

Execution a surprise; Debt reduction augers well

Labor availability at ~90% v/s pre-COVID levels

- Ashoka Buildcon's (ASBL) 1QFY21 results were robust. Top line decline was limited to INR5.7b (18% above est.). On account of one-off items as well as release of contingencies, EBITDA and PAT came in well above expectations.
- A key surprise was the reduction in gross debt to INR2.4b (v/s INR4b at end-FY20), indicating strong focus on cash flow management.
- Strong execution over the past two years is commendable. However, the pending PE exit in the asset portfolio is an overhang on the stock. We have increased our FY21E EPS by 16%, but FY22E EPS remains broadly unchanged. Strong order book and continuous improvement in the balance sheet augurs well for ASBL. Maintain **Buy** with revised TP of INR88.

Execution and margin expansion a surprise

- Revenue declined 35% to INR5.7b and was 18% above our expectations. EBITDA was down 25% YoY to INR819m (ahead of est. INR389m). EBITDA margin expanded 180bp to 14.3% (v/s est. 8%). Interest expense declined 22% YoY to INR166m. On account of operating performance beat, adj. PAT grew 7% to INR691m (ahead of est. muted PAT of INR89m).
- Other income stood higher as ASBL received one-time insurance claim of INR50m, with another INR50m gain on restructuring of equipment loan.
- Order book stood at INR86b (+6% YoY) with OB/Rev ratio of 2.5x. This provides strong revenue visibility for ASBL over the next two years.

Management commentary highlights

- Operational efficiency stands at 85%. Labor availability at site is ~90% to that of pre-COVID level. It should touch 100% over the next few months.
- NHAI has set a target of 4,500kms of road awarding in FY21. ~3,200kms of ordering has already been announced as of now. Also, to ease liquidity for infrastructure companies, NHAI has shifted to monthly billing policy.
- With regard to asset monetization, the potential bidder has held back on its investments until Aug'20. ASBL has offered the deal to other investors as well and the company should get an update over the next few months.
- ASBL expects ~INR40-50b worth order inflows in FY21E, with ~INR30-40b from roads and INR10-12b from Railways.
- Pending equity commitment in HAM projects stand at INR3.9b, of which INR2.3b will be spent in FY21. The remaining INR1.6b will be spent in FY22E.

Valuation and view

- ASBL has been surprising with its strong execution over the past two years now. However, the pending PE exit in asset portfolio has been an overhang on the stock performance. We have increased our FY21E EPS by 16%, but FY22E EPS remains broadly unchanged.
- Strong order book and continuous improvement in the balance sheet augurs well for ASBL. Our TP of INR88 (Prior: INR98) is based on SOTP based methodology – we value the (a) EPC business at 7x Mar'22E EPS, and (b) BOT business on NPV basis. At CMP, adjusted for valuation of the BOT business, the stock is trading at FY21/FY22E PE of 5.2x/4.4x. Maintain **Buy**.

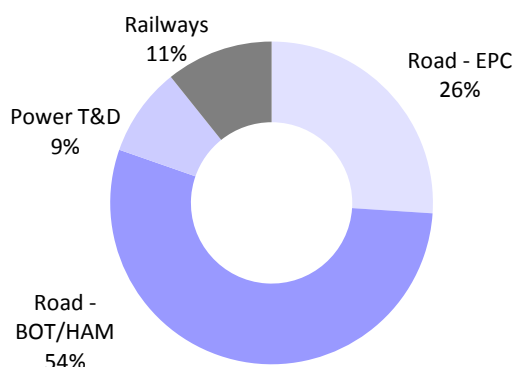
Quarterly Performance

(INR M)

Y/E March	FY20				FY21E				FY20	FY21E	FY21	Variance
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			1QE	
Net Sales	8,768	8,223	9,836	12,548	5,724	6,460	10,613	12,697	39,374	35,494	4,857	17.8%
YoY Change (%)	30.4	7.6	-7.7	-4.0	-34.7	-21.4	7.9	1.2	3.4	-9.9	-44.6	
EBITDA	1,095	1,229	1,243	2,289	819	711	1,220	1,504	5,856	4,254	389	110.7%
Margins (%)	12.5	14.9	12.6	18.2	14.3	11.0	11.5	11.8	14.9	12.0	8.0	
Depreciation	266	271	283	290	223	250	300	301	1,111	1,074	280	
Interest	214	231	200	209	166	200	200	222	855	788	190	
Other Income	342	392	369	346	483	200	220	233	1,449	1,136	200	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	957	1,118	1,129	2,136	913	461	940	1,214	5,340	3,528	119	670.1%
Tax	310	391	274	493	222	116	237	312	1,468	888	30	
Rate (%)	32.4	35.0	24.2	23.1	24.4	25.2	25.2	25.7	27.5	25.2	25.2	
Reported PAT	647	727	855	1,642	691	345	703	901	3,871	2,640	89	678.8%
Adj PAT	647	727	855	1,642	691	345	703	901	3,871	2,640	89	678.8%
YoY Change (%)	22.8	17.1	-16.1	56.0	6.8	-52.6	-17.8	-45.1	20.2	-31.8	-86.3	
Margins (%)	7.4	8.8	8.7	13.1	12.1	5.3	6.6	7.1	9.8	7.4	1.8	

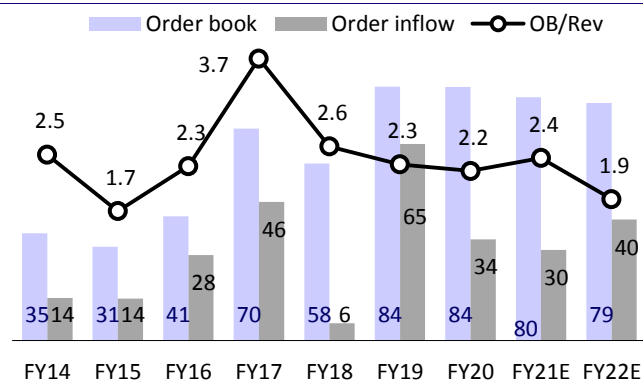
Story in charts

Exhibit 1: Order book break-up (INR86.2b; OB/Rev: 2.5x)



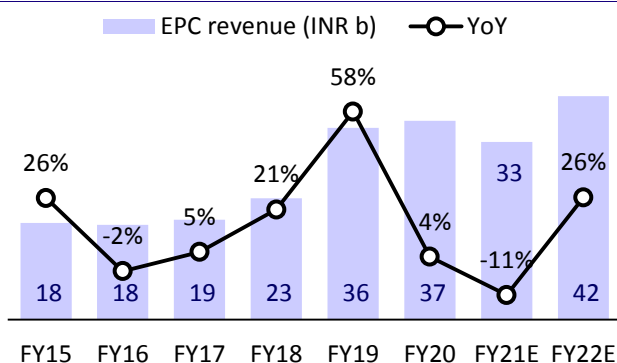
Source: MOFSL, Company

Exhibit 2: Order book and order inflow trend (INR b)



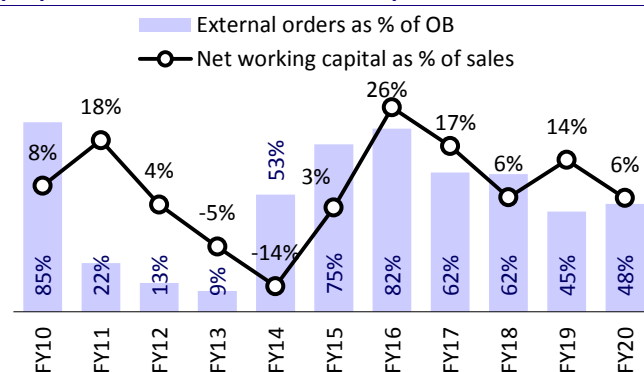
Source: MOFSL, Company

Exhibit 3: EPC revenues estimated at 6% CAGR for FY20-22E

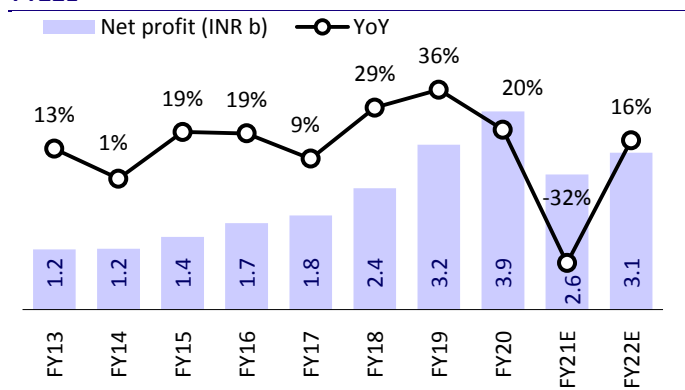


Source: MOFSL, Company

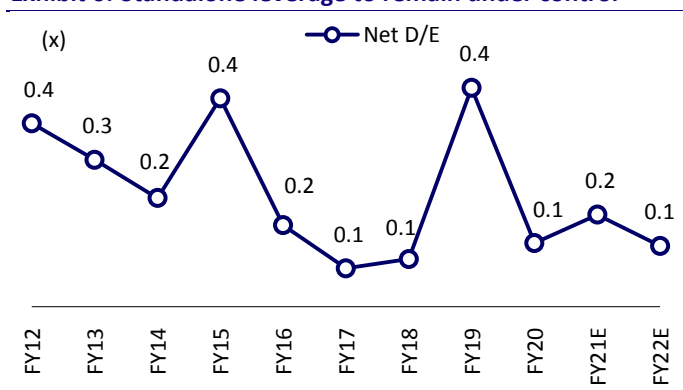
Exhibit 4: Net WC to remain under control, given decline in proportion of external orders from peak of FY16



Source: MOFSL, Company

Exhibit 5: Standalone earnings expected to rebound in FY22E

Source: MOFSL, Company

Exhibit 6: Standalone leverage to remain under control

Source: MOFSL, Company

Valuation and view

- **Robust order book provides strong visibility for EPC revenue:** Currently, the order book is strong at INR86.2b. Book-to-bill ratio has further improved to 2.5x, indicating strong revenue visibility for more than two years.
- **Strong balance sheet augurs well for the company:** As at FY20, net D/E at standalone level was 0.1x. We believe ASBL is well placed to fund its equity commitment and expect net debt to remain at 0.2x for FY21/FY22E, making it one of the strongest road players in the sector.
- **Favorable valuation:** Adjusted for valuation of the BOT assets, the stock is trading at FY21/FY22E P/E of 5.2x/4.4x. While the pending exit of the Private Equity investor in the asset business is an overhang for the stock, we believe it provides an attractive entry point.
- **Maintain Buy:** We have increased our FY21E EPS by 16%, but FY22E EPS remains broadly unchanged. Strong order book and continuous improvement in balance sheet augurs well for ASBL. Our TP of INR88 (Prior: INR98) is based on SOTP based methodology – we value the (a) EPC business at 7x Mar'22E EPS, and (b) BOT business on NPV basis. At CMP, adjusted for valuation of the BOT business, the stock is trading at FY21/FY22E P/E of 5.2x/4.4x. Maintain **Buy**.

Financials and valuations

Income Statement						(INR M)
Y/E March	2018	2019	2020	2021E	2022E	2023E
Total Revenues	24,463	38,094	39,374	35,494	44,280	49,064
Change (%)	19.2	55.7	3.4	-9.9	24.8	10.8
EBITDA	2,934	5,040	5,856	4,254	5,291	5,864
Margin (%)	12.0	13.2	14.9	12.0	11.9	12.0
Depreciation	532	763	1,111	1,074	1,204	1,399
EBIT	2,402	4,277	4,745	3,180	4,087	4,466
Interest	485	907	855	788	878	788
Other income	978	1,157	1,449	1,136	886	981
Exceptional items	0	-358	0	0	0	0
PBT	2,894	4,169	5,340	3,528	4,094	4,659
Tax	524	1,307	1,468	888	1,031	1,173
Rate (%)	18.1	31.4	27.5	25.2	25.2	25.2
Reported PAT	2,370	2,862	3,871	2,640	3,064	3,486
Adjusted PAT	2,370	3,220	3,871	2,640	3,064	3,486
Change (%)	28.8	35.8	20.2	-31.8	16.1	13.8
Margin (%)	9.7	8.5	9.8	7.4	6.9	7.1

Balance Sheet						(INR M)
Y/E March	2018	2019	2020	2021E	2022E	2023E
Share Capital	936	1,404	1,404	1,404	1,404	1,404
Reserves	18,327	20,717	24,586	26,899	29,636	32,795
Net Worth	19,263	22,120	25,989	28,302	31,039	34,198
Loans	2,991	9,782	6,070	7,070	7,570	5,570
Deferred Tax Liability	-349	-518	-475	-475	-475	-475
Capital Employed	21,905	31,384	31,585	34,898	38,134	39,293
Gross Fixed Assets	4,861	7,206	8,009	8,509	10,009	11,509
Less: Depreciation	2,687	3,407	4,518	5,592	6,795	8,194
Net Fixed Assets	2,174	3,799	3,491	2,917	3,213	3,315
Capital WIP	150	55	95	95	95	95
Investments	13,182	12,831	14,112	17,545	17,545	17,545
Curr. Assets	23,414	35,883	34,947	33,414	40,853	44,359
Inventory	1,459	1,527	1,534	1,383	1,725	1,911
Debtors	10,117	15,513	14,440	14,586	18,197	20,163
Cash & Bank Balance	1,235	550	2,911	2,099	3,963	4,435
Loans & Advances	4,035	8,927	8,978	8,960	9,000	9,022
Other Assets	6,568	9,366	7,084	6,386	7,967	8,828
Current Liab. & Prov.	17,015	21,183	21,060	19,073	23,571	26,020
Current Liabilities	16,411	20,484	20,157	18,170	22,668	25,117
Provisions	604	700	903	903	903	903
Net Current Assets	6,399	14,699	13,887	14,341	17,281	18,339
Application of Funds	21,905	31,384	31,585	34,898	38,134	39,293

Financials and valuations

Ratios

Y/E March	2018	2019	2020	2021E	2022E	2023E
Basic (INR)						
Adj EPS	8.4	11.5	13.8	9.4	10.9	12.4
Cash EPS	10.3	14.2	17.7	13.2	15.2	17.4
Book Value	68.6	78.8	92.6	100.8	110.6	121.8
DPS	1.0	1.0	1.0	1.0	1.0	1.0
Payout (incl. Div. Tax.)	13.8	11.4	8.4	12.4	10.7	9.4
Valuation (x)						
P/E	7.1	5.2	4.4	6.4	5.5	4.8
Price/Book Value	0.9	0.8	0.6	0.6	0.5	0.5
EV/EBITDA	6.3	5.2	3.4	5.1	3.9	3.1
Dividend Yield (%)	1.7	1.7	1.7	1.7	1.7	1.7
FCF per share	12.6	-5.6	23.8	5.7	6.0	9.3
Return Ratios (%)						
RoE	13.0	15.6	16.1	9.7	10.3	10.7
RoCE	12.9	13.8	14.0	9.6	10.1	10.4
RoIC	28.2	23.2	21.2	16.1	19.3	19.8
Working Capital Ratios						
Fixed Asset Turnover (x)	5.0	5.3	4.9	4.2	4.4	4.3
Total Asset Turnover (x)	1.1	1.2	1.2	1.0	1.2	1.2
Inventory (Days)	22	15	14	14	14	14
Debtors (Days)	151	149	134	150	150	150
Leverage Ratio						
Current Ratio	1.4	1.7	1.7	1.8	1.7	1.7
Interest Cover Ratio	4.9	4.7	5.6	4.0	4.7	5.7
Net Debt/Equity (x)	0.1	0.4	0.1	0.2	0.1	0.0

Cash Flow Statement

(INR M)

Y/E March	2018	2019	2020	2021E	2022E	2023E
PBT before EO Items	2,894	4,169	5,340	3,528	4,094	4,659
Depreciation	532	763	1,111	1,074	1,204	1,399
Interest & other charges	6	92	855	788	878	788
Direct Taxes Paid	-789	-1,176	-1,512	-888	-1,031	-1,173
(Inc)/Dec in WC	2,415	-4,454	3,174	-1,266	-1,076	-586
Others	-74	682	-1,449	-1,136	-886	-981
CF from Operations	4,985	75	7,518	2,100	3,184	4,106
(Inc)/Dec in FA	-1,446	-1,639	-843	-500	-1,500	-1,500
Free Cash Flow	3,538	-1,564	6,676	1,600	1,684	2,606
(Pur)/Sale of Investments	-2,547	-4,050	-1,282	-3,433	0	0
Others	633	235	1,449	1,136	886	981
CF from Investments	-3,360	-5,455	-675	-2,797	-614	-519
(Inc)/Dec in Debt	386	5,660	-3,712	1,000	500	-2,000
Interest Paid	-389	-778	-855	-788	-878	-788
Dividend Paid	-181	-150	-327	-327	-327	-327
Others	-845	-37	411	0	0	0
CF from Fin. Activity	-1,028	4,695	-4,482	-115	-705	-3,115
Inc/Dec of Cash	596	-685	2,361	-812	1,864	472
Add: Beginning Balance	638	1,234	550	2,911	2,098	3,963
Closing Balance	1,234	550	2,911	2,098	3,963	4,435

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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